Russell Reynolds Associates

Transformational Leadership

The leadership needed to overcome organizational inertia and create real transformation

Foreword

The only thing that's certain or constant in our market is uncertainty.

Not every leader, nor organization, will withstand this cacophony of upheaval. When responding to the combined threats of sustained economic uncertainty, social unrest, rapid AI adoption, and the fast-evolving political and geopolitical landscape, some will falter—yet others will seize this moment and leap ahead.

With that in mind, one thing has become abundantly clear: the leaders who are primed to guide their organizations over the next decade will be transformational. The ability to drive growth or efficiency gains will no longer be the mark of great leaders; instead, transformational leadership capability will be.

Our research identifies that, while a majority of leaders see a clear need for transformation, it's not easy. Less than one in three executives report that their transformation efforts to date have been successful.

Organizations are complex, and inertia conspires to waylay transformations. While there's a huge focus on CEOs amidst these moments, their top priority is to build a transformational leadership team. That means ensuring they have the right people, a winning culture, and clear expectations. It's these teams who are building the change, driving the culture, and ensuring it sticks.

To support CEOs and their organizations through this challenge, we set out to understand what separates leadership teams that overcome inertia and successfully transform their organizations from those that don't.

Our latest research unpacks why transformation is so difficult, focusing on two key questions CEOs and their leadership teams must answer to be successful:

1. How do you create a transformational leadership team?
2. What must top teams do to create the conditions for change within the organization?

The true test of transformational leadership is not simply the ability to deliver a transformation; rather, it is the ability to craft an organization that has transformation built into its character.

Constantine Alexandrakis
CEO, Russell Reynolds Associates

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About Russell Reynolds Associates

Russell Reynolds Associates is a global leadership advisory firm. Our 600+ consultants in 47 offices work with public, private, and nonprofit organizations across all industries and regions. We help our clients build teams of transformational leaders who can meet today's challenges and anticipate the digital, economic, sustainability, and political trends that are reshaping the global business environment. From helping boards with their structure, culture, and effectiveness to identifying, assessing, and defining the best leadership for organizations, our teams bring their decades of expertise to help clients address their most complex leadership issues. **We exist to improve the way the world is led.**

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Transformation: A critical leadership imperative

Nearly three out of four business leaders believe their companies are on a path to failure. Without fundamental transformation in the next decade, 74% say their organizations will cease to exist.

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Leaders and their organizations are facing a watershed moment. AI's acceleration of the Fourth Industrial Revolution is creating huge amounts of disruption, innovation, opportunity, and uncertainty. Meanwhile, this technological leap is happening within complex domestic and international political environments. With organizations and their leaders operating in these high-pressure contexts, it's perhaps no surprise then that 79% of leaders told us they believe transformation to be extremely or very critical to the growth and stability of their organization.

While many leaders are questioning the resilience and longevity of their businesses, a fundamental truth remains: those who proactively drive transformation within their businesses, rather than trying to weather the storm or waiting until they are forced to adapt, will be better positioned to survive.

The annals of corporate history are littered with once great companies—think Kodak and Blockbuster—that faded from prominence. Not because they didn't have great products and services or commanding market positions, but because the comfort of those positions clouded their ability to translate past successes into necessary changes for the future.

The question isn't whether transformation is necessary. It is. Instead, we aim to uncover what separates the leadership teams that successfully navigate transformation from those who don't.

To understand what differentiates leadership teams that successfully deliver transformation, RRA conducted extensive research over the past year. This included interviews with 24 current or former CEOs who have led successful transformations, plus survey data from over 1,000 executives—CEOs, C-suite leaders, and next-generation leaders one to two levels below the C-suite. This research allowed us to assess the current state of organizational transformation and isolate specific drivers of success.

Defining transformation

All organizations undergo change at the margins as they follow market opportunities, respond to customer feedback, and other external and internal pressures. For the purposes of our research, **we defined transformation as a significant shift in how the organization's core business operates** (e.g., how its products and services are produced, and/or a notable shift toward new products/services, business models, or markets). These transformations are typically orchestrated by leadership with a view of what the "target state" should be.

Success in transformation is elusive

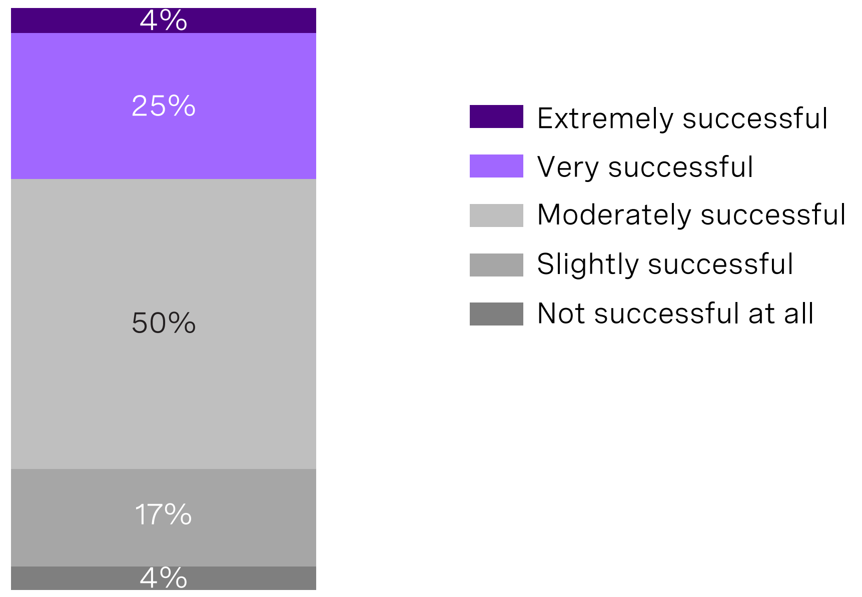
Despite widespread recognition of transformation's importance, success remains elusive. Less than one in three (29%) leaders say that their organization has been very or extremely successful in its transformation efforts.

The remaining two-thirds of leaders did not report that their transformations were outright failures. In fact, the majority (67%) rate their transformation as slightly or moderately successful (Figure 1). However, our research reveals that those in this middle ground still face significant risk and missed opportunities. And these risks can be amplified by the false sense of security that partial transformation provides.

Isolated changes to specific parts of the business—be that new processes, entering a new market, launching a new product, upgrading the capability of the sales team—are much more achievable and can provide leaders with a welcome feeling of accomplishment. However, these partial improvements (while tempting to settle for) don't integrate all the various components necessary for change, nor do they fully prepare organizations for the complex demands of future environments.

Figure 1: Fully successful transformations are rare

Overall, how would you rate your organization's success in transformation?



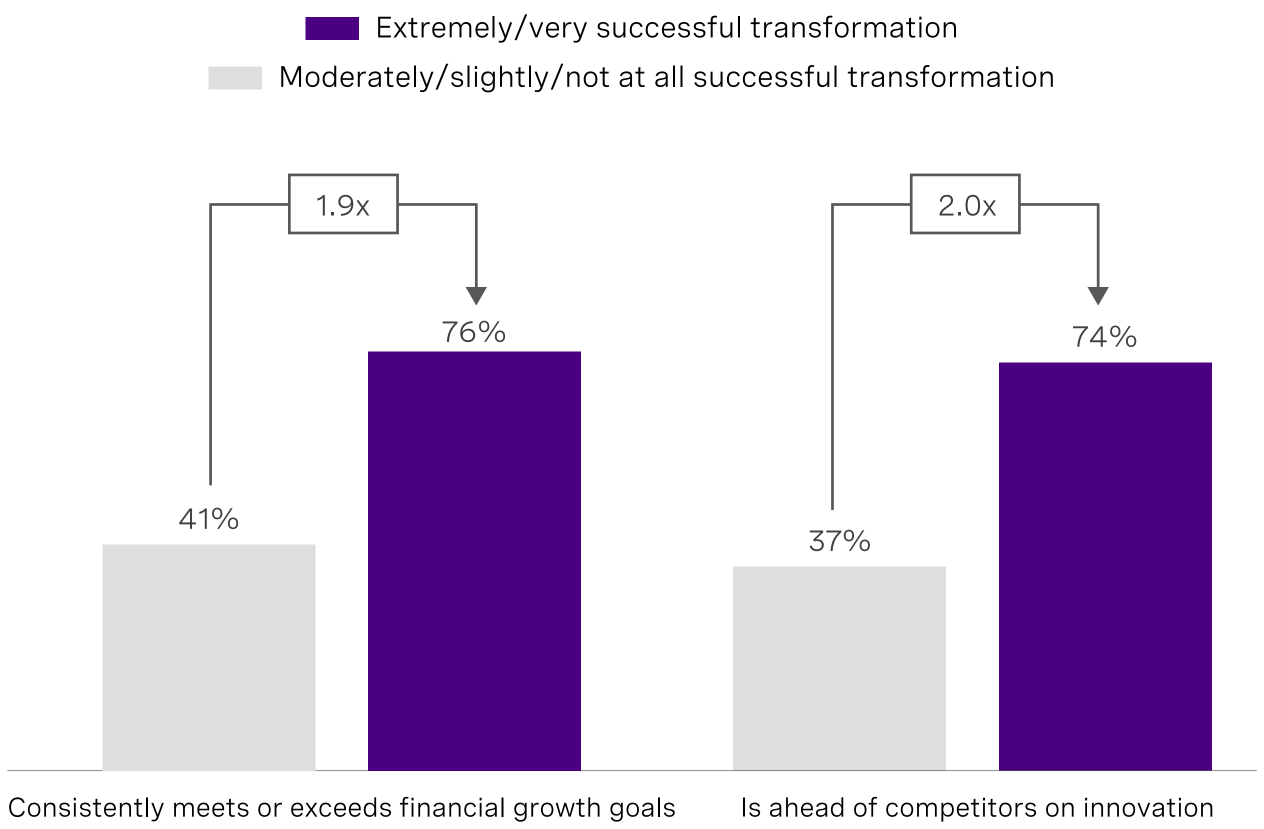
Source: Russell Reynolds Associates 2025 Transformational Leadership Survey | Among CEOs, C-level leaders, and next-gen leaders (n=1247)

For a transformation to truly succeed, the entire business needs to change. Without holistic, coordinated transformation seen through to its logical conclusion, organizations are highly unlikely to realize their financial goals. And complete transformation pays off. We found that organizations that succeed in driving a holistic transformation agenda **are nearly twice as likely to report they consistently meet or exceed financial goals** and view themselves as ahead of their competitors on innovation (Figure 2).

Winners today are not succeeding at the margins of transformation; they are diving right in.

Figure 2: Organizational performance by degree of transformation success

Considering the macro context in which your organization operates, to what extent do you agree or disagree that your organization... - % selected strongly agree or agree



Source: Russell Reynolds Associates 2025 Transformational Leadership Survey | Among CEOs, C-level leaders, and next-gen leaders (n=1247)

Research methodology

To understand what leadership teams can do to achieve success we conducted a multi-method approach that included:

- **Literature review:** An extensive review of the prevailing literature on change management, transformation, innovation, and related fields like adult development theory.
- **CEO interviews:** Interviews with 24 current or former CEOs who have led successful transformations. These interviews were designed to help us understand how barriers to transformation present, and how successful leadership teams overcome them (the decisions they make, the interventions they stage).
- **Transformation survey:** Survey data from 1,000+ leaders - CEOs, C-suite leaders, and next-gen leaders (1-2 levels below the C-suite) - on the nature and success of transformation efforts at their organizations, specific actions that were taken, and perspective on the nature of their organization (culture, openness, operating principles, levels of hierarchy, etc.). The survey was designed to assess the state of transformation at organizations and enable us to isolate specific drivers of success.
- **Subject matter expert conversations:** Conducted conversations with a range of colleagues at Russell Reynolds Associates who have expertise relevant to the topics of transformation and leadership team effectiveness, as well as conversations with external experts on topics of change, transformation and innovation. These conversations were designed to help scope out the research and pressure test emerging analysis and emerging findings.

See appendix for a more detailed methodology and overview of survey demographics.

Organizational inertia: Why change is hard in human systems

While the transformation imperative is clear and compelling, these low success rates make it clear that the hill leaders need to climb is a steep and challenging one. It's easy to underestimate the challenge ahead, particularly when the case for change feels obvious.

Organizations are, however, complex organisms. Beyond their stated purpose, structure, and documented processes exists a set of more opaque dimensions: culture, beliefs, organizational histories and mythologies, informal ways of working, where power and influence reside, and how they are exercised. All of these dimensions contribute to the functioning of the organization and are hard to change, often creating organizational inertia. The longer the organization has existed in a state of slow evolution or statis—especially if the organization sees itself as successful—the greater that inertia is.

Building the case for change and setting forth a strategy for achieving it will only work if leaders can understand the inertia challenge they face and diligently work to overcome it. Simply put: **organizational inertia kills transformations.**

It is easy for leaders to misunderstand, underestimate, or even minimize organizational inertia. Humans are not built for change; as human systems, neither are organizations. There is a strong drive towards stability and a desire to neutralize or avoid threats. Change—whether it is thrust upon us or deliberately engineered—triggers our deeply ingrained flight-or-fight instinct, making transformation something we are wired to resist.

In our conversations with CEOs and experts, and via our analysis of the key literature, we encountered three common types of organizational inertia: insight inertia, psychological inertia, and action inertia (Figure 3). It's important for leaders to understand how inertia manifests in different ways, as we often fall into the trap of thinking that once we have convinced colleagues of the "why" for change, then the desired transformation will follow.

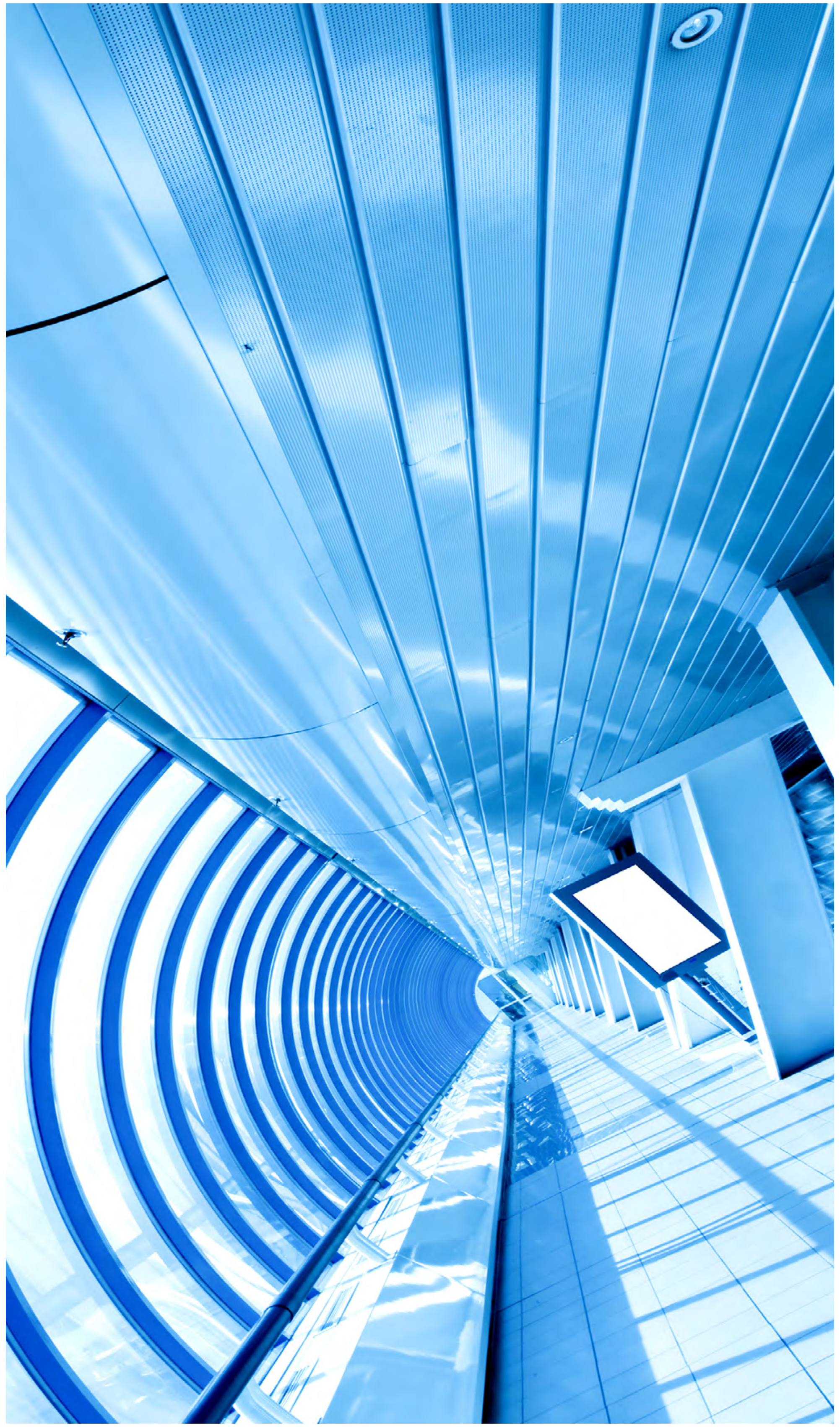


Figure 3: Forms of organizational inertia

INSIGHT INERTIA	PSYCHOLOGICAL INERTIA	ACTION INERTIA
Lack of awareness or inability to recognize the need for change	Strong drive to revert to the status quo	Delayed response or inability to take and sustain required actions

Source: Russell Reynolds Associates 2025 Proprietary Analysis

Insight inertia

Insight inertia relates to a lack of awareness around (or an unwillingness to accept) the need for change amongst leaders, employees, and other stakeholders. Building the case for change and continually beating the drum on why this specific transformation matters is hugely important. However, knowing that something matters does not immediately mean that people will take action.

"Many change initiatives don't fail because of some dramatic revolt—they fade away due to boredom. It's not that the idea is wrong; it's just that over time, people lose interest."

David Ricks,
CEO and Chair of Eli Lilly & Company

Psychological inertia

Leaders also need to tackle **psychological inertia**, which presents as a strong drive to retain or revert to the status quo.

As employees and leaders alike are asked to change their behaviors, they must simultaneously engage with the concept that the way they've always done things is now being challenged by a new set of beliefs and desired behaviors. This can pose a threat to people's professional identities by calling into question what has made them successful to date. Change is highly emotional, and the hurdle leaders must help colleagues overcome (and overcome themselves) is significant.

As leaders and employees move from grappling with the theoretical case for change to confronting it in practice, reality sets in. Resistance to change should be expected, and while leaders may see forms of active resistance, the leaders we spoke to consistently shared that passive resistance creates the real challenge. This comes from the leaders and employees who engage half-heartedly or pay lip-service to the transformation agenda while avoiding adopting new ways of working—appearing supportive while quietly sabotaging progress.

"People will cling onto what they have or had. A lot of our people were survivors in the company—they had mastered the art of surviving previous leaders and restructurings. This creates a layer of passive resistance that must be tackled to succeed with transformation."

Frans van Houten,
former CEO of Royal Philips

Action inertia

Finally, we have **action inertia**. This is where issues with accountability, organizational routines, and resource allocation come into play.

To drive transformation, you need leaders and employees at multiple levels to act and adapt; however, they may either avoid accountability or not think they have the power to make necessary localized decisions. "Accountability sinks" are not unique to transformation scenarios, but they are a huge hindrance when transforming.

Additionally, the formal and informal processes on which the organization runs and allocates resources are geared toward the current concept of success, not the future version. Over time, their repeated application can cause them to calcify. When faced with a new vision for which they are not designed, they break down. The result: reallocating capital and people and building new capabilities becomes immensely challenging.

"Placing the right people and enabling them to succeed is a challenge. It's essential for everyone to recognize that it's not a matter of choosing between speed and synergy, but rather achieving both—while always keeping the central focus on putting customers first. Understanding people and how to enable them to work effectively is the most complex aspect of transformation."

Thomas Dannenfeldt,
former Chair of Ceconomy AG

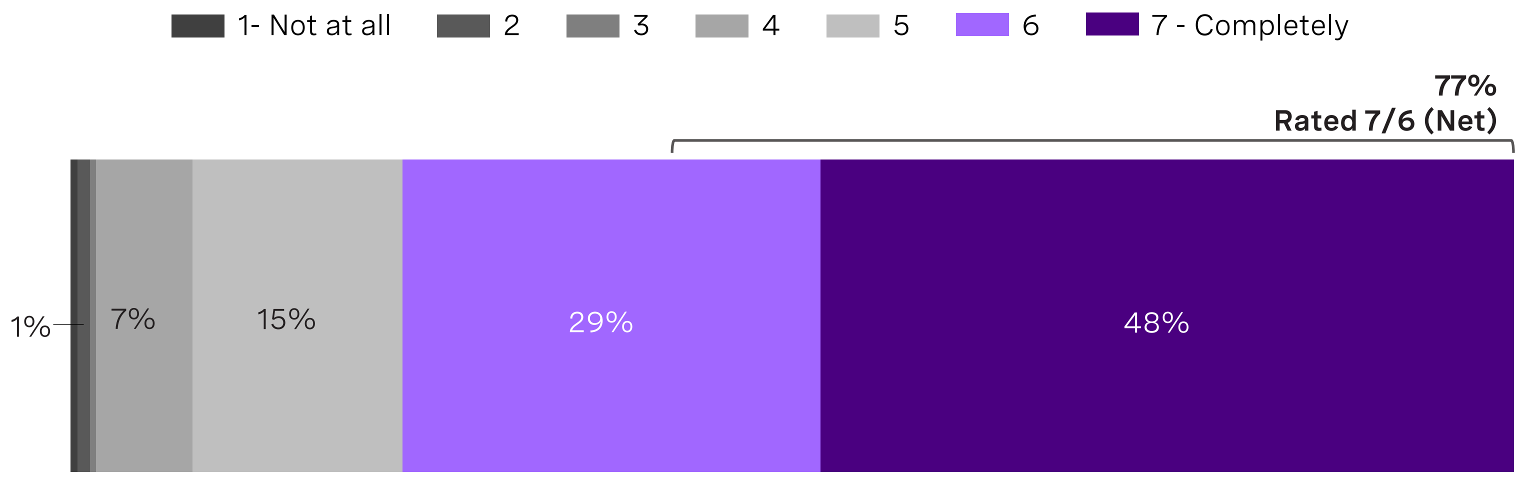
Analysis of our survey data found that insight inertia generally conspires to prevent transformation initiatives from getting off the ground to begin with, while psychological and action inertia become the primary barriers to overcome once transformation has begun. See Appendix "Barriers to Transformation" for more detail.

We see this dynamic play out further in a notable gap between leaders' commitment to the transformation and their belief that it's being approached in the right way. While 77% of leaders report they are committed to their transformation, only 43% think their organization is taking the right approach (Figure 6).

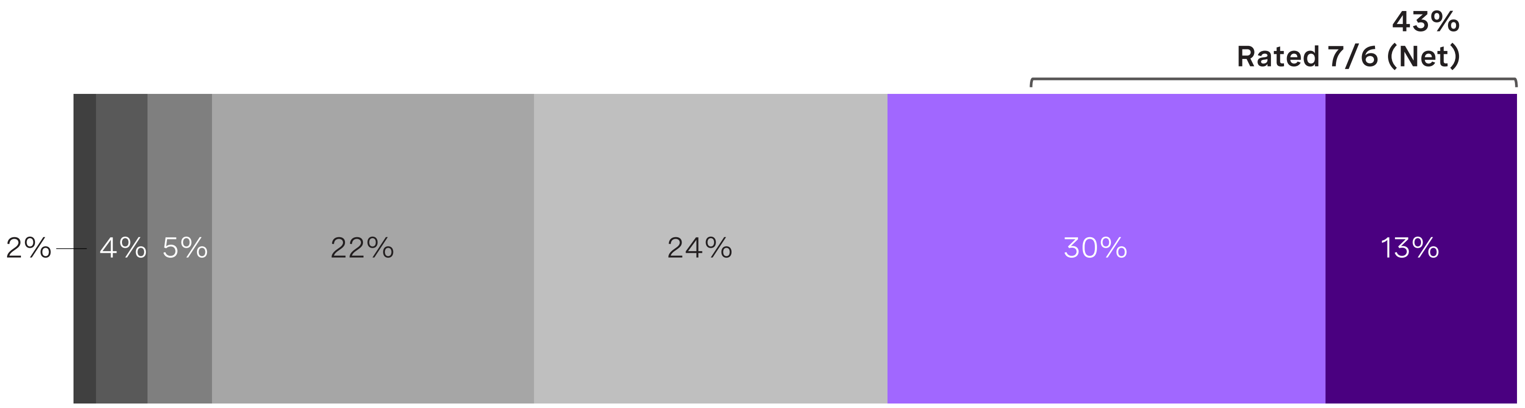
This underlines the key challenge with transformation—it requires leaders to mobilize their organizations to sustain change initiatives over time in the face of significant inertia.

Figure 6: The commitment-belief gap

How would you rate your personal commitment to the organization's transformation efforts?



To what extent do you believe that your organization is taking the right approach in transformation?



Source: Russell Reynolds Associates 2025 Transformational Leadership Survey | Among CEOs, C-level leaders, and next-gen leaders (n=1360)

Given these dynamics, it's completely understandable if—as leaders become more familiar with the transformation agenda and its interventions—they have misgivings about its effectiveness. And indeed, our data shows that the leaders closest to the day-to-day execution of the change are less likely to think it's being implemented effectively (Figure 7).

While 61% of CEOs indicated they had a high level of belief that they were taking the right approach, only 43% of C-suite leaders felt the same way. Critically, only 32% of next-generation leaders—those critical to translating strategy into action—reported strong belief in their organization's transformation approach.

While transformation should be driven from the very top, it requires the whole organization to mobilize. As organizations are human systems not naturally built for change, organizational inertia will conspire to subvert the transformation process.

So how do leadership teams successfully overcome organizational inertia and transform their organizations?

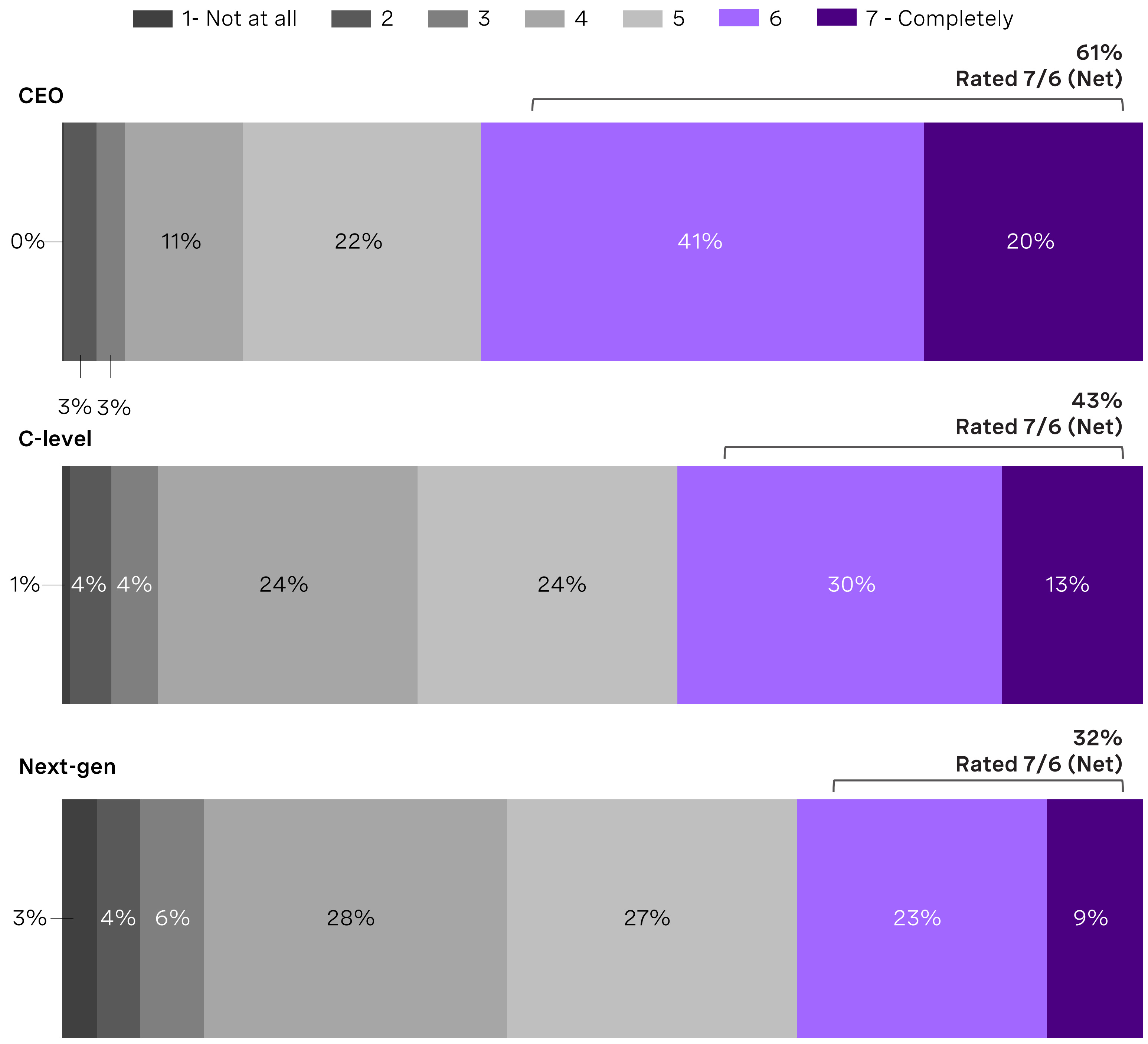
The answer lies in a fundamental shift in leadership approach. Much of leadership in the 21st century has been about effectively operating complex organizations—creating stability and growth while managing risk and navigating the occasional shock.

However, today's environment necessitates more than good change management practices. It demands **transformational leadership**: the ability of leaders and leadership teams to *create the conditions that enable change* throughout these inherently resistant human systems. Leaders need to view transformation as more than a project to be managed; they should seek to build transformation into how the organization naturally operates.

> Transformational leadership: the ability of leaders and leadership teams to transform themselves and affect transformation within their organizations.

Figure 7: Belief in transformation effectiveness vary greatly by level

To what extent do you believe that your organization is taking the right approach in transformation?



Source: Russell Reynolds Associates 2025 Transformational Leadership Survey | Among CEOs, C-level leaders, and next gen leaders (n=1360)

Unlocking transformation: The four pillars of transformational leadership

CEOs who have led successful transformations understand that creating the conditions for change cannot be a mandate for a single leader—it requires the deep engagement and collective effort of the entire top team. Throughout any transformation initiative, CEOs must be asking themselves this crucial question:

"Do we have the leadership we need to deliver the transformation?"

Unfortunately, few leaders are confident in their top team's ability to transform the organization, with less than half (43%) of leaders reporting high levels of confidence in their top team (Figure 8).

Importantly, CEOs should be mindful that their own confidence may not be shared by other leaders—even those within the top team. While 62% of CEOs reported high confidence, only 40% of other C-suite leaders did, and even fewer next-generation leaders (34%).

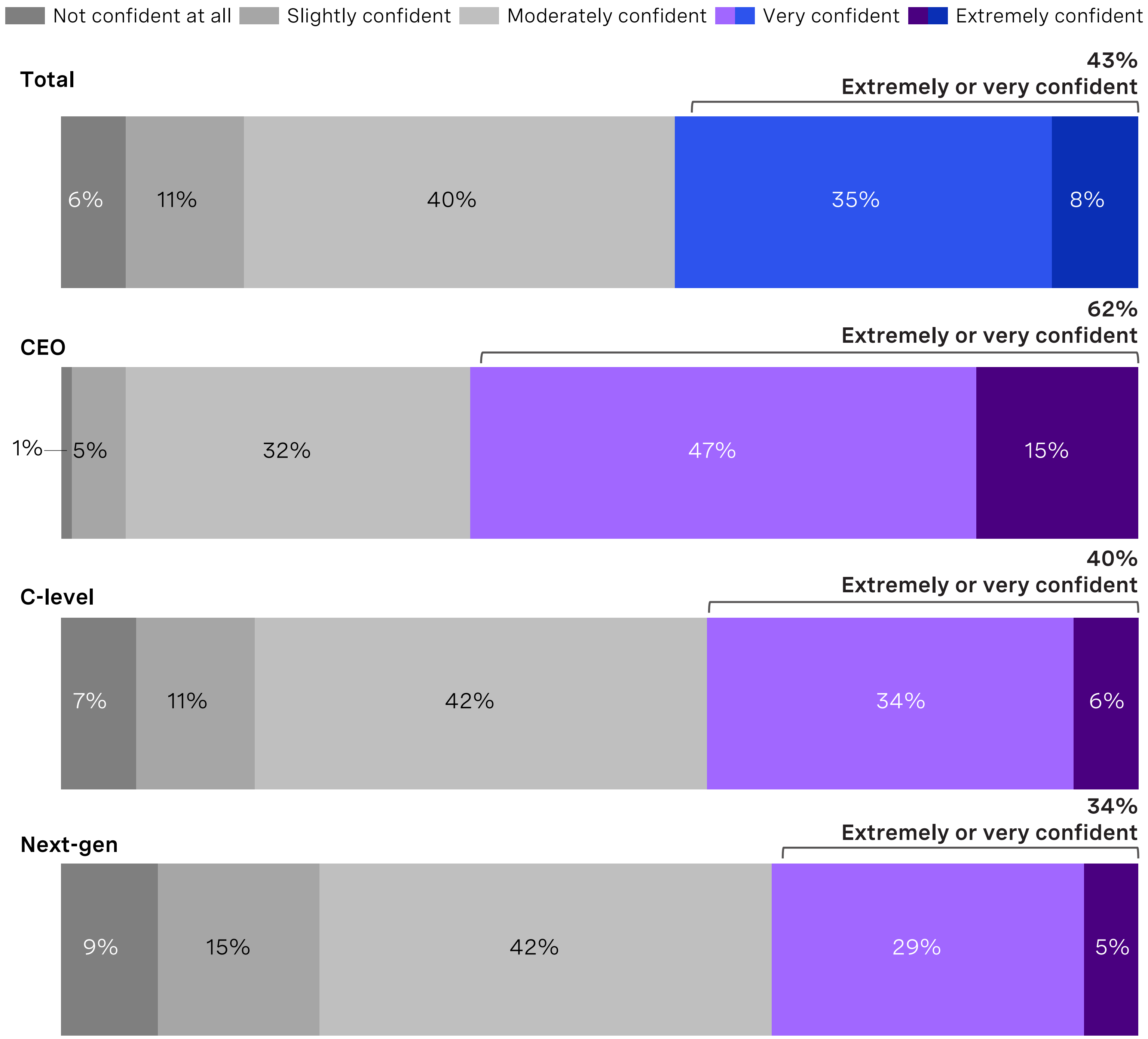
The complexity of transformation and the challenge of organizational inertia warrants skepticism. Transformational leadership is a big ask and will push leaders, individually and collectively, out of their comfort zones. It's intellectually challenging and emotionally exhausting; not all leaders will be equipped. But those who are will be rewarded with accelerated personal development and outsized impact on their organization, the people they lead, and their customers.

"The biggest transformation, in my view, was the shift in the role of the top leadership team in steering the company. That change in how leadership guided the organization was, for me, the true transformation."

Ben van Beurden,
former CEO of Shell

Figure 8: Confidence in top team's transformation capability by role

How confident are you in your executive team's ability to drive transformation successfully?



Source: Russell Reynolds Associates 2025 Transformational Leadership Survey | Among CEOs, C-level leaders, and next-gen leaders (n=1360)

The four pillars of transformational leadership

Our research has identified four key areas on which CEOs should focus to create the leadership teams needed for transformation (Figure 9).

While the initial question of team composition is of course a big one, CEOs also need to consider continued team development through the transformation, be diligent in how they manage the team, and examine how they activate a broader network of leaders to enable change.

Figure 9: Four pillars for transformational leadership

01 Build the top team for transformation

Selecting and building the top team for transformation requires careful consideration of relevant experience, competencies, and mix of backgrounds. Look for leaders who have had 'crucible' experiences with a high change quotient and have the potential to grow and adapt. Be mindful of focusing too much on the individual to the detriment of the collective capability of the team.

02 Develop the top team through the transformation

CEOs should recognize that the team they have at the start of the transformation will be different to the one they have as it nears its conclusion. The individual leaders themselves will need to adapt along the way, and some may need to be replaced. An intentional focus on enabling the development of the team through the transformation is critical.

03 Orchestrate the team for maximum impact

How your top team works together should not be left to chance; it needs to be actively managed. Begin by developing a common purpose and shared understanding of the need for transformation, define the objectives for transformation, and the strategy to achieve it. Once that foundation has been established, CEOs should create collective accountability and actively manage the culture of the team.

04 Tap into the capacity of next-gen leaders

The top leadership team needs to be able to activate leaders at multiple levels in order to affect the transformation. In addition, those leaders can be a critical source of skills and perspective that may not exist within the top leadership team. Building an applying an extended 'transformation leadership team' is critical to success.

Source: Russell Reynolds Associates 2025 Proprietary Analysis

1. Building the top team for transformation

Transformational leadership teams not only need a mix of leaders with relevant experience, skills, and readiness to take on the transformation opportunity—they also need leaders who can continue growing and developing through the transformation.

Selecting and building the top team for the transformation requires careful consideration of relevant experience and capabilities.. CEOs should look to select leaders who have had "crucible experiences" with a high-change quotient, testing their ability to navigate employees and customers through change. They should be mindful of getting too focused on selecting individuals and ensure that they keep "collective leadership capability" in mind.

Here, CEOs should pay attention to striking the right balance between company insiders who have valuable institutional knowledge with outsiders who bring fresh perspectives. This includes balancing loud and quiet traits within the team—for example, making space for those who are risk taking and those who are more measured.

"You need to combine people who have been at the organization for many years and understand there's no alternative but to move in this new direction with people who understand the new world you're heading into. That's why we brought in talent from the cloud, cybersecurity, and internet of things sectors and put them together."

José María Álvarez-Pallete López,
former CEO and Chair of Telefónica S.A.

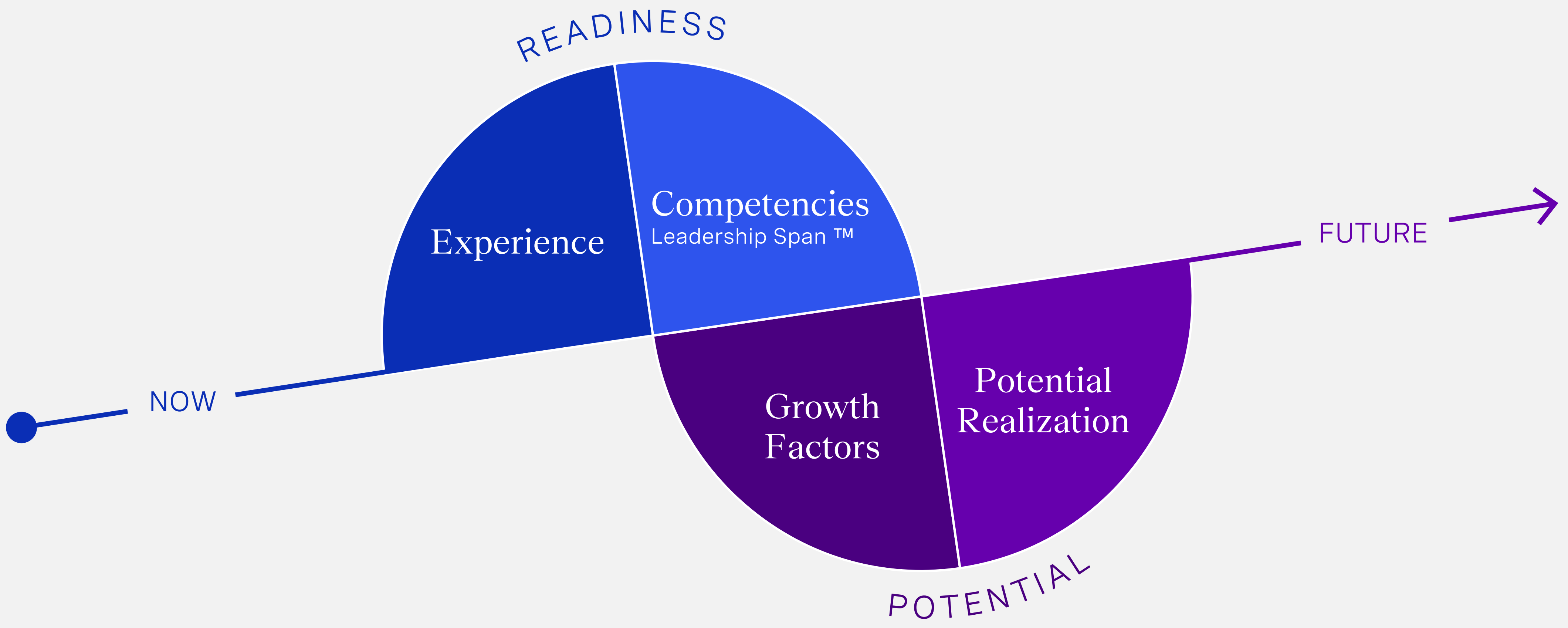
The nature of transformation dictates that the roles of individual leaders, and the role of the entire team, will not remain static. They need to be able to adapt throughout. It is therefore important when selecting leaders to consider a set of growth factors and the ability of a leader to realize their potential.

Growth factors—which include systems thinking, curiosity and adaptability, drive and resilience, and social intelligence—relate to a leader's capacity to adapt and evolve in the face of changing demands.

Potential realization is a question of whether the leader has the self-knowledge, clarity of purpose, and values alignment to unlock said potential.

See Figure 10 for more detail.

Figure 10: Leadership readiness and potential



READINESS – NOW	Experience	Competencies
	Do the executives have critical depth and breadth of experience relevant to the transformation?	Do the executives have the required range of leadership capabilities required to lead through transformation
	Selecting leaders who have had "crucible experiences" with a high change quotient and large implications for employees and customers e.g. M&A, divestments, market entry or exit, JVs, new business launches, restricting	Individual leaders must possess core leadership competencies: setting strategy, executing for results, leading teams, building relationships and influence
	Balacing those with deep institutional knowledge with outsiders with different perspectives.	Balancing loud and quiet competencies within the team, e.g. those that are risk taking and those that are more measured, those that are disruptive and those that are pragmatic

POTENTIAL – FUTURE	Growth Factors	Potential Realization
	What is the executive's capacity to adapt and evolve to meet dynamic shifts in environmental and organizational demands?	Does this executive possess the self-knowledge and clarity of purpose to realize their potential in a sustainable way?
	Systems thinking; curiosity and adaptability; drive and resilience; social intelligence	Self-knowledge; values and aspirations; wider impact and legacy

Source: Russell Reynolds Associates Leadership Portrait

2. Develop the top team through the transformation

While selecting leaders with strong potential is foundational, their development and growth should not be left unmanaged.

To drive team development through the transformation, CEOs and their CHROs should identify a set of development objectives. While there will no doubt be a range of skill and knowledge acquisition objectives that the specific transformation scenario may demand, there are a set of higher order capabilities that all top teams would be mindful to develop when driving a transformation. They include breaking down existing mental models, embracing failure and building test-and-learn muscle, and developing emotional courage (Figure 11).

The nature of these capabilities do not lend themselves to simple learning programs. Instead, they should be developed through a blend of exposure to different viewpoints, people, and subjects, dedicated reflection, and deep collaboration with other leaders.

Opportunities for deep collaboration—working and learning together—can be engineered through exercises like success and failure root causes, which aim to uncover the full range of factors that influence outcomes, or through the creation of relationships and teams that traverse the organization's natural structure and siloes.

Figure 11: Developing leaders' adaptive capability

Development Objectives

Break down existing mental models	We all have models or heuristics that we use to understand the world around us. We develop these through higher education and our most formative career experiences. Leaders need to be able to challenge and change the way they think to engage effectively in transformation.
Develop your emotional radar	Change is inherently emotional. Leaders need to be able to read the room, understanding colleagues' emotions as they try to affect change. They also need a keen sense of their own impact on those around them. Are they creating energy for change or undermining it?
Build emotional courage	Change is hard and leaders need to be capable of handling emotional discomfort. When a leader's beliefs or ways of working are challenged by the prevailing evidence or by colleagues, are they capable of being uncomfortable and still doing their job? Conversely, do they have the courage to challenge their colleagues and manage through that discomfort?
Embrace failure; build test and learn muscle	Failure has two parts: how we fail, and what we learn from it. A test and learn approach repositions failure as a logical step in the journey that moves us forward, while ensuring that teams work to fail fast so that loss aversion does not set in. Ensuring that failure is embraced and that the necessary learning happens requires deliberate effort and the building of new behaviors and skills.
Enhance communication and listening skills	People often talk past each other and leave conversations with radically different interpretations of what was said and what was agreed upon. Transformation introduces lots of unknowns and emotions will be high. Leaders need to be able to flex the content and style of their communication to a wide range of audiences and as the context evolves. Moreover, they need to really hone their listening skills — and not simply so they can better respond to stakeholders in the moment, but as a critical device for their own learning and reflection.
Learn to delegate and empower	Transformation touches every part of the organization but can easily get derailed by the rigidity of existing processes and decision-making approaches. Knowing how to delegate and empower others becomes can be key for leadership teams as they look to drive change adoption. Leaders need to know how to clearly communicate objectives and expectations as part of this.

Methods & Interventions

Exposure

Diversifying the inputs and vantage points leaders see

- More time with customers and employees
- Increased exposure to other parts of the business
- Increased exposure to outside ideas
- Learning a new subject that teaches a different way of looking at problems (e.g., literature, social sciences)

Reflection

Enabling the leaders to consolidate their learning

- Create space to think about the business
- Individual coaching to help leaders work through gaps and challenges
- Mentoring others (can help leaders see how change is manifesting for more junior leaders)

Collaboration

Create collective learning and break down siloes

- Working with the leadership team on strategy
- Success and failure root cause exercises
- Talent swaps and diagonal mentoring
- Team trust building exercises

Source: Russell Reynolds Associates 2025 Proprietary Analysis

3. Orchestrate the top team for maximum impact

For leaders who are comfortable in their organizations, top team working styles often feel good. However, this doesn't necessarily mean they are effective. Top team working dynamics should not be left to chance; they need to be actively managed.

Creating the right dynamic within the top team begins by building a common purpose. This can be best achieved when the top team develops a shared understanding of the need for transformation, and works together to define the objectives and strategy for the transformation. Achieving this is not a simple activity—top leaders can be victims of inertia too— so approaching it as a multi-stage journey is advisable. Conducting multiple offsites and exposing leaders to a range of perspectives and voices will also be helpful.

Once that foundation is established, CEOs should push on creating collective accountability. Ensuring that the incentive and performance management system is oriented correctly towards that common purpose is critical. While the exact ratio will depend on many factors, not least history, enterprise outcomes should be upweighted relative to individual business unit or functional goals. This should be further underpinned through social means.

Behaviors that are counter to the enterprise goals should be called out and addressed early. Deliberate discussion about the types of behaviors the team needs to adopt (and abandon) can be a very effective exercise for top teams.

> "Ultimately, as a leadership team, we had to take collective ownership of the entire corporate strategy. This meant making tough decisions about where to invest resources. Everyone needed to keep an open mind—recognizing that this might mean less investment in their own business area, more in someone else's, or even the creation of entirely new business ventures. This is never easy. Importantly, these decisions couldn't rest solely with the CEO; they had to be made by the leadership team as a whole."

Ben van Beurden,
former CEO of Shell

The culture of the team—their common beliefs, how they interact with one another, what is said, and what goes unsaid—will be largely affected by the strength of their shared purpose and the degree to which collective accountability has been established. Nonetheless, it's important to actively manage this. Culture runs deep and is hard to change. And deep-seated patterns of team interaction can easily torpedo the good work done on purpose and accountability.

In our conversations with CEOs, it's clear that when engaging in transformation, rigorous debate and productive disagreement should be a core feature of the team's culture. Moreover, the team should be able to align on and execute decisions, even when consensus has not been reached. Consensus should never be a goal in and of itself—instead, team members with concerns should feel that they've been properly considered. Decisions almost always carry the risk of unintended consequences, and top teams with healthy cultures are effective at surfacing those and moving forward with eyes wide open.

> "The objective was to put together a group that thought differently from each other, but acted from the same commitment to the mission and to the values of the organization that we had all signed on to. For the model we set up, I would thank people for disagreeing and debating in the executive team in private. But once we made a decision, whether it was unanimous or not, everyone left that room with a united voice about the decisions we made. If you don't have disagreement and debate in the executive team and an occasional no vote you probably haven't created the right culture."

James Hackett,
former CEO of Anadarko Petroleum

Many CEOs spoke to the importance of a strong orientation towards collective learning when establishing their team. Leaders not only need to feel safe discussing problems and failures; they should feel that it is their duty to do so in order to advance the team's collective thinking about the problems and opportunities in front of them.

4. Tap into the capacity and talent of next-gen leaders

Perhaps the most important test of the top team's capacity to drive transformation is how they tap into the capacity and talent of leaders deeper down in the organization. The best leadership teams have a keen sense of their own limitations. They understand that, by virtue of their position, information filters to them differently, resulting in things they don't see or hear. Moreover, particularly as AI accelerates, it is difficult for them to have a strong grasp (or even awareness) of all the opportunities and threats that the business faces throughout the transformation.

Within the context of transformation, CEOs should consider expanding the "transformation leadership team" to include next generation leaders with clearer views on the organization's actual attitudes and progress (Figure 12). Configurations for such an extended team will vary—and it can be helpful to have multiple versions throughout the transformation process—but some core principles should consistently apply.

First, leaders should not be selected based on their position on the organizational chart; rather, they should be chosen based on the nature of their networks and the influence and credibility they hold. Second, they should be given a clear mandate. Finally, the top team needs to commit to actively engaging with this extended team; if not, they risk being seen as a purely internal engagement and branding exercise with no real teeth

> "We created a team to lead the transformation—defining the language we wanted to use, thinking through the rollout, and even designing the Team Lilly logo. We were intentional in selecting this group, choosing our most influential and highest-performing people. We included leaders from multiple levels of the organization, especially super-connectors in middle management."

David Ricks,
CEO and Chair of Eli Lilly & Company

Figure 12: The case for an extended transformation leadership team (and how to create one)

Three key reasons for an "extended transformation leadership team":

1. **Capability augmentation:** Skill and knowledge gaps in the top leadership team can be made up by key leaders at other levels
2. **Nuanced understanding of the business:** Those closer to the day-to-day have a more textured understanding of the reality of how work is really done and can identify pre-existing innovations and think through the unintended consequences of change interventions
3. **Ongoing sensing mechanism:** An expanded team can provide context below metrics and scorecards, sharing how employees feel about ongoing changes and extrapolating on the 'why' behind the data

Extended transformational leadership team practices:

Rather than selecting leaders based on the org chart, include those who are:

- **Super-connectors** - those with an extensive and diverse network of relationships, who can connect others and tap into a broad range of perspectives
- **Mavens** - those who are seen as highly credible experts, bringing both valuable expertise and credibility to the initiative
- **Influencers** - those that are good at galvanizing others to action

Create a clear role and mandate for the extended transformation leadership team that includes:

- **Discovery** - working to understand the problem and opportunity
- **Influencing decision making** - time with the top team to help shape the transformation strategy
- **Activating the change** - responsibility to work on implementing and monitoring change interventions

Source: Russell Reynolds Associates 2025 Proprietary Analysis

Conditions for change: The organizational factors needed for transformation

Organizational change management is a well-researched space, with tried-and-true frameworks outlining necessary steps, including: identifying the need for change, developing the vision and strategy, communicating with stakeholders, executing change activities, and monitoring and evaluating the process.

While all of these steps matter, when looking at transformation as a process, it can be easy to miss a key question: **do the conditions for change exist within the organization?**

Given the challenge of organizational inertia, it is leadership's job to understand the current state of the organization and create the conditions for change. Without that, the transformation process will be unable to overcome the barriers inertia presents.

What matters most for transformation success

Informed by our ongoing CEO interviews and broader research, we built a list of 27 organizational dimensions—spanning culture, talent, structure, hierarchy and communication—that impact transformation success. In combination, they can be thought of as a holistic measure of an organization's character.

Next, via our transformation survey, we gathered data on how leaders scored their organizations on these dimensions. Using a factor analysis—a common statistical technique for detecting common themes within data—we isolated eight distinct factors across the 27 dimensions (Figure 13).

Figure 13: Organizational factors that impact transformation success

Strategic Alignment

Goal & role clarity

- A clear set of metrics exist and are used by the org to track its performance
- Roles and responsibilities are clear within the org
- Executive team has a clear goal for the org

Financial rewards & incentives

- Financial rewards and incentives encourage the right behaviors amongst leaders
- Financial rewards and incentives encourage the right behaviors amongst employees

Future orientation

- Shareholders do not put pressure on the business to generate short-term results
- Executive team is good at balancing short- and long-term needs
- Executive team demonstrates patience, and a long-term view related to organizational goals

Exec team communication & connection

- Executive team includes a wide range of experience
- Executive team has a deep understanding of front-line & customer facing work
- Executive team communicates effectively with the org
- Executive team makes well informed and timely decisions
- Executive team fosters collaboration, encourages cross-functional teamwork, and sharing of ideas

Targeted investment

- Organization invests a lot of resources to improve existing processes
- Organization invests in the learning and development of its employees
- Organization invests a lot of resources in innovating on its products/services

Workforce Capacity for Change

Change-ready culture

- Organization is not afraid to change well established processes
- Organization is not afraid to challenge long-held beliefs about its business
- Experimentation and risk-taking are encouraged without the fear of negative consequences
- A culture of continuous improvement and a learning mindset exists

High-impact talent

- Employees are highly motivated by the org's mission
- Employees believe in their ability to make a meaningful impact on the org's goals
- Organization has access to the right skills and talent for future success

Transparency & empowerment

- Employees are not fearful of sharing unfiltered information with senior management
- Executive team encourages constructive debate and productive disagreement to make better decisions
- Employees are empowered to make decisions
- Different parts of the business work well together

Source: Russell Reynolds Associates 2025 Transformational Leadership Survey | Among CEOs, C-level leaders, and next gen leaders (n=1,245)

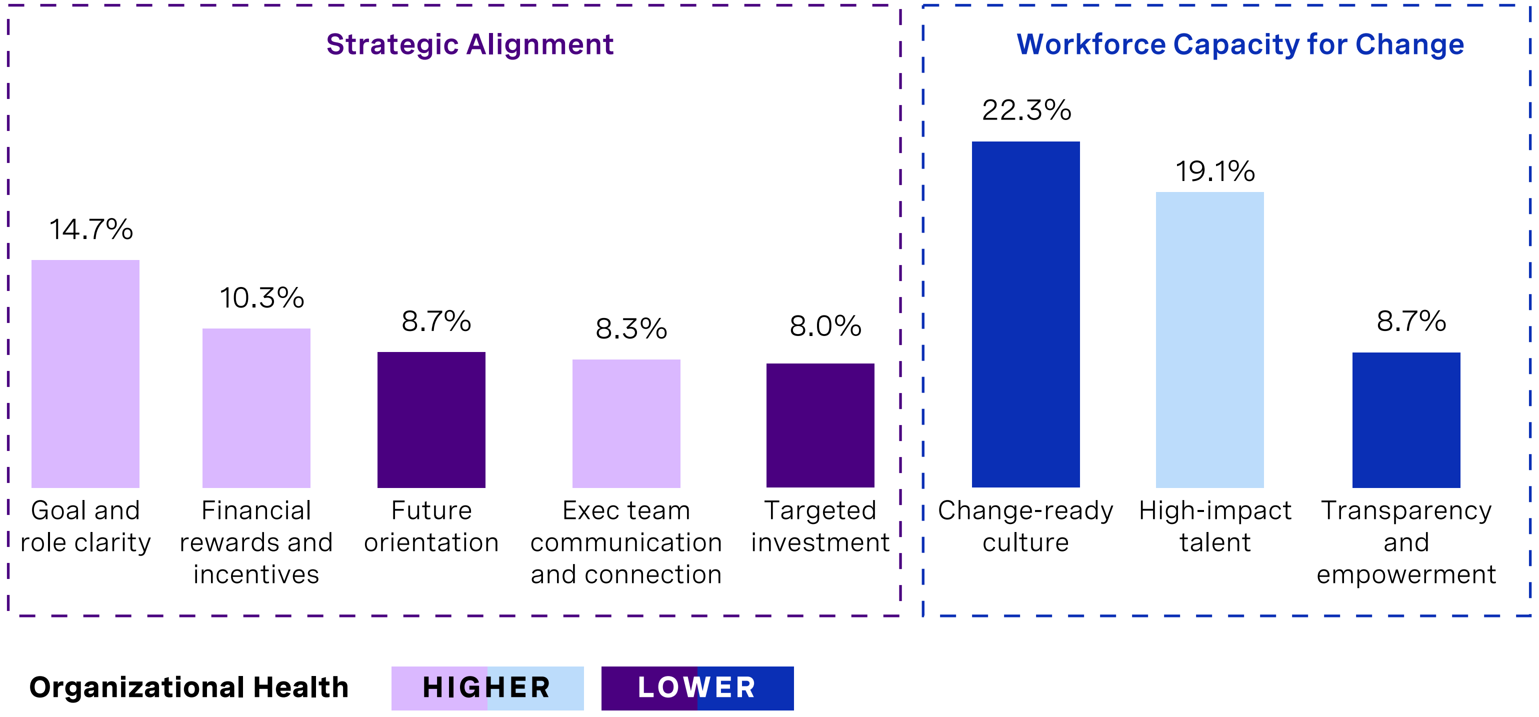
By connecting these organizational factors to leaders' assessment of their transformation's success, we were able to determine the relative importance of these factors.

Three factors rise to the fore as most impactful: a change ready culture, goal and role clarity, and high-impact talent. And organizations typically have a gap in culture, transparency and empowerment, targeted investment, and their future orientation (Figure 14). However, all eight factors matter and an organization's health on each of them will vary.

Whether transforming due to declining performance or emerging opportunities, CEOs consistently spoke to the same priorities: 1) actively managing strategic alignment within the organization and 2) building the workforce's capacity for change. Grouping the eight organizational factors into these two categories can be helpful in aiding leadership teams' discussions on whether the conditions for change exist within their organization.

The areas where a leadership team needs to focus when creating the conditions for change will vary across organizations, and leaders should seek to understand their performance across these eight factors, investing in closing relevant gaps.

Figure 14: Relative impact of factors on transformation success vs health



Leaders rated their organizations across 27 dimensions. Individual responses were combined to generate a health score for each of the eight factors. Color coding compares average leader scores, highlighting which factors ranked higher or lower. This analysis identifies the most influential factors—while lower-ranked items may still matter, they have less relative impact in this context.

Source: Russell Reynolds Associates 2025 Transformational Leadership Survey | Among CEOs, C-level leaders, and next-gen leaders (n=1,245)

How do successful leadership teams create the conditions for change?

Our interviews with current and former CEOs who have led successful transformations revealed a range and creativity of their tactics, but also saw a set of common principles emerge that underpinned the objectives of those tactics:

1. **Relentless communication of vision and purpose** — Transformation requires clarity; continuously reinforce the "why" behind the change to align and inspire at every level.
2. **Change one chapter at a time** — Break transformation into manageable phases. Balance ambition with realism, engage key voices, and make the journey enjoyable to sustain lasting change.
3. **Align incentives to enterprise outcomes** — Reinforce the behaviors you want to see. Anchor everyone around clear metrics to keep focus sharp and teams moving in the same direction.
4. **Model the behaviors you want** — Embody the values and behaviors you expect and hold others accountable to do the same.
5. **Understand and actively manage culture** — Culture doesn't manage itself. Create structured ways to listen and space for honest feedback at every level.
6. **Unlock the power of many** — Make the case for change clear and compelling. Then equip and trust people at all levels to act, adapt, and lead

See Figure 15 for an overview of example practices CEOs apply to enable the conditions for change.

Figure 15: Practices for creating and maintaining the conditions for change

	Principle	Practices
Strategic Alignment	**1. Relentless communication of vision and purpose** Transformation requires clarity. Continuously reinforce the "why" behind the change to align and inspire at every level.	• Share compelling employee stories through short, viral videos • Establish daily check-ins with leaders to stay closely aligned and frequent town halls • Create courses to really understand the "why" behind the need for change
Strategic Alignment	**2. Change one chapter at a time** Break transformation into manageable phases. Balance ambition with realism, engage key voices, and make the journey enjoyable to sustain lasting change.	• Set achievable short-term goals that align with the long-term vision of the transformation • Incorporate elements to make transformation sustainable, but also enjoyable and fun (i.e., entertainment, prizes, etc.) • Embrace a mindset around discovery and appropriately celebrate wins
Strategic Alignment	**3. Align incentives to enterprise outcomes** Reinforce the behaviors you want to see. Anchor everyone around a clear metrics to keep focus sharp and teams moving in the same direction.	• Change compensation, KPIs, and recognition to reinforce collective—rather than siloed—success • Set and maintaining a clear "obsession metric"
Workforce Capacity for Change	**4. Model the behaviors you want** Embody the values and behaviors you expect and hold others accountable to do the same.	• Work for others and keep learning from those around you • Establish trust through being transparent and vulnerable • Focus on the "softer side" of things • "Walk the talk" by demonstrating humility and openness to learning
Workforce Capacity for Change	**5. Understand and actively manage culture** Culture doesn't manage itself. Create structured ways to listen and space for honest feedback at every level.	• Run yearly formal cultural assessments via employee surveys. • Outline a culture score (e.g., categorized as learning, lacking, living, or leading—with "leading" defined as demonstrating courage) • Engage with psychologists to conduct confidential, in-depth interviews across all levels, allowing people to speak freely in their own language • Build a direct line with employees (through focus groups or informal check-ins)
Workforce Capacity for Change	**6. Unlock the power of many** Make the case for change clear and compelling. Then, equip and trust people at all levels to act, adapt, and lead.	• Ensure the right people, not just executive team, lead the right projects • Host monthly executive committee meetings and informal weekly check-ins • Regularly reassess and prioritize key initiatives and talent each quarter, considering both progress and changes in the external environment

Source: Russell Reynolds Associates 2025 Proprietary Analysis

The journey forward: From successful transformations to transformative capability

When organizations confront disruptive change, they run into a deceptively simple problem: what has made them successful today is not what will make them successful tomorrow.

The transformation journey can be treacherous, with organizational inertia—insight inertia, psychological inertia, and action inertia—actively working against change.

And the journey is never over: leaders who successfully transform their businesses are then presented with a new problem. If viewed as a singular change journey, the new elements of the organization—which have been transformed through the ingenuity, inspiration, and pain-staking grit of leaders and employees—risk calcifying and constraining future adaptations. The organization they have created, which is so well adapted to its new environment today, may begin to struggle when change is required once again.

The true test of transformational leadership capability is not simply the ability to deliver a transformation. Rather, it is the ability to craft an organization with transformation built into its character. In the high-change environment in which we operate, leaders need to view maintaining the conditions for change as a core function of their roles, and CEOs must view maintaining the transformative capability of their top team as a core function of theirs.

Acknowledgements: A thanks to participating leaders

The authors wish to thank the 1,000+ leaders from RRA's global network who completed the 2025 Transformational Leadership Survey. Their responses to the survey have contributed greatly to our understanding of this important subject.

An additional thanks goes to the leaders who participated in our research interviews. Their perspective and reflections on the transformations they have led and are leading were invaluable to our understanding of the topic and ability to provide practical teaching and guidance.

*Interviewed leaders included**

Alexander Lacik, CEO of Pandora A/S

Anders Gustafsson, Chair and former CEO of Zebra Technologies

Andy Bird, former CEO Pearson PLC (2020-2023)

Arvind Krishna, CEO of IBM

Ben van Beurden, former CEO of Shell (2014-2023)

Bob Moritz, former Global Chair of PwC (2016-2024)

David Ricks, CEO and Chair of Eli Lilly & Company

Diego De Giorgi, Group CFO of Standard Chartered Bank

Douglas Baker, retired Chair and CEO of Ecolab

Francesco Starace, former CEO of Enel (2014-2023)

Frank Appel, former CEO of Deutsche Post DHL Group (2008-2023)

Frans van Houten, former CEO of Royal Philips (2011-2022)

Greg Creed, former CEO of YUM! Brands (2015-2019)

Jean-Pascal Tricoire, Chair (and former CEO) of Schneider Electric

Jim Hackett, former CEO of Anadarko Petroleum (2003-2012)

José María Álvarez-Pallete López, former CEO and Chair of Telefónica S.A. (2016-2025)

Nancy McKinstry, CEO and Chair of Wolters Kluwer

Peter Vanacker, CEO of LyondellBasell and former CEO of Neste (2018-2022)

Stefan Oschmann, former CEO and Chair of Merck Group (2016-2021)

Thierry Vanlancker, former CEO and Chair of AkzoNobel (2017-2022)

Thomas Dannenfeldt, former Chair of Ceconomy AG.

**a small number of leaders wished to have their participation in the research remain confidential*

Methodology

Research overview

Transformations can be big, messy, high-stakes undertakings. Some leadership teams seem to navigate them with purpose and clarity, while others stall or unravel. Our research aimed to explore one central question:

What differentiates leadership teams that successfully transform their organizations?

For this research, we defined transformation as more than incremental change. It's a significant change in how the organization's core business operates and/or a notable shift toward new products or services, business models, or markets.

Methodology

To explore this question in depth, we used a multi-method approach that combined existing knowledge, lived experience from transformation leaders, large-scale quantitative data, and expert perspectives.

1. Extensive literature review

We first conducted an extensive review of the prevailing literature on change management, transformation, innovation, and adjacent fields such as adult development theory. This work helped us build a strong theoretical foundation, identify common patterns of success and failure, and refine the questions we would later take into the field.

2. CEO interviews

From there, we turned to the leaders who have lived transformation firsthand. We spoke with 24 current and former CEOs who had successfully led their organizations through transformation. These were in-depth, semi-structured conversations designed to uncover how barriers to transformation appear in practice and the interventions that ultimately move change forward. Their stories added nuance to the frameworks we had seen in the literature, grounding them in the realities of executive leadership.

3. Transformation survey

Using the perspective from our internal experts and extensive lit review, we developed a global survey to test our emerging hypotheses and capture a broad view of transformation in practice. Over 1,000 leaders completed the survey, including CEOs, C-suite leaders, and next-generation leaders (one to two levels below the C-suite). They represented a wide range of industries, geographies, and organizational sizes.

Participants shared their perspectives on the nature and success of their organization's transformation efforts, the specific actions taken along the way, and their organizational culture, openness, operating principles, and levels of hierarchy.

To make sense of this rich dataset, we applied two complementary statistical techniques:

First, we ran a factor analysis to uncover the underlying patterns within the data by grouping related variables together. Leaders rated their organization and executive team across 29 dimensions. Through factor analysis, we distilled these into eight distinct "conditions for change," each representing a meaningful cluster that together form the architecture of successful transformation.

Leaders had been asked to rate the success of their organization's transformation on a five-point scale, from not at all successful to extremely successful. We ran a regression analysis to determine the relative importance of each of the eight conditions in predicting transformation success. Higher scores indicated greater relative influence, while lower scores do not mean the factor is unimportant—only that its impact was less pronounced in this context. This allowed us to prioritize the conditions for change most critical to driving meaningful transformation.

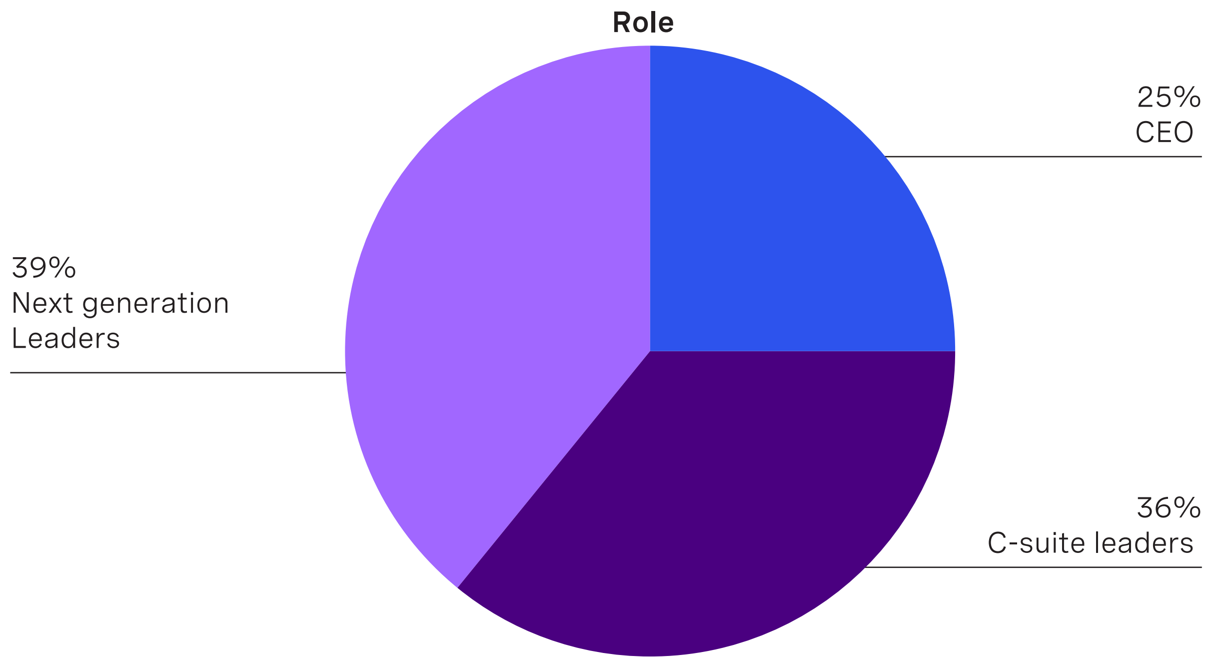
4. Subject matter experts

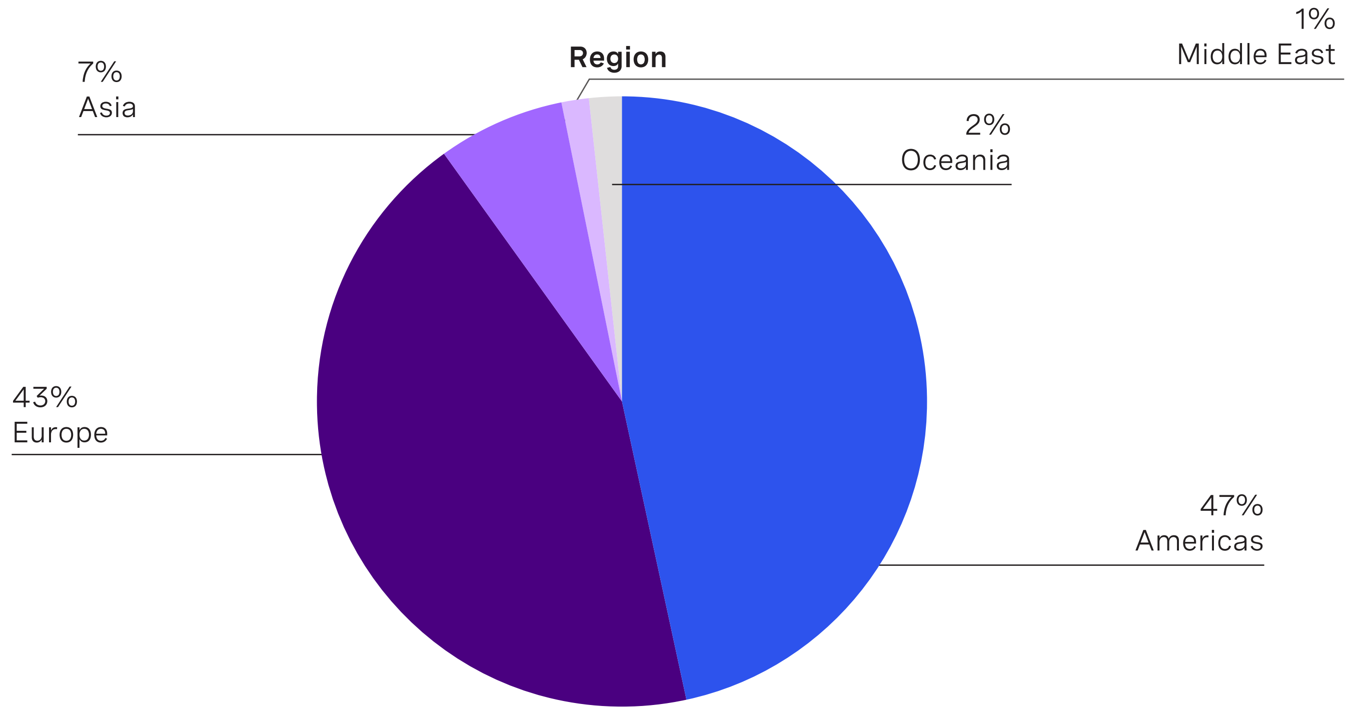
Finally, we spoke with both internal and external experts throughout the process to test and deepen our findings. Inside Russell Reynolds Associates, we drew on colleagues with deep expertise in leadership assessment, organizational culture, and transformation strategy. We also sought out external specialists in change, innovation, and transformation, whose diverse perspectives helped ensure our work was informed by both research and practice.

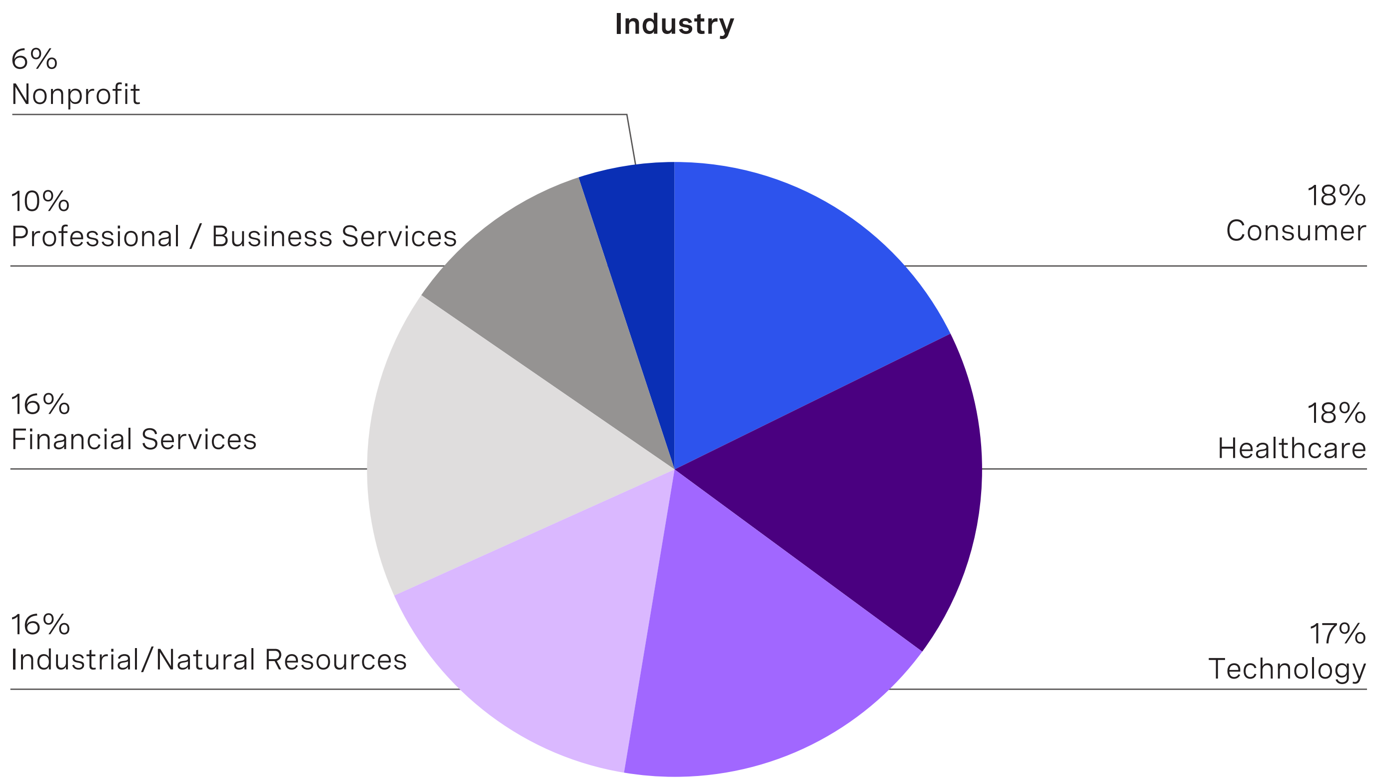
Limitations

As with any research, there are limitations. Our CEO interviews, while rich in depth, were not designed to be statistically representative. Survey responses were self-reported, meaning they reflect leaders' perceptions. And while our sample was diverse, certain industries and regions were less represented. We acknowledge these constraints while remaining confident in our findings.

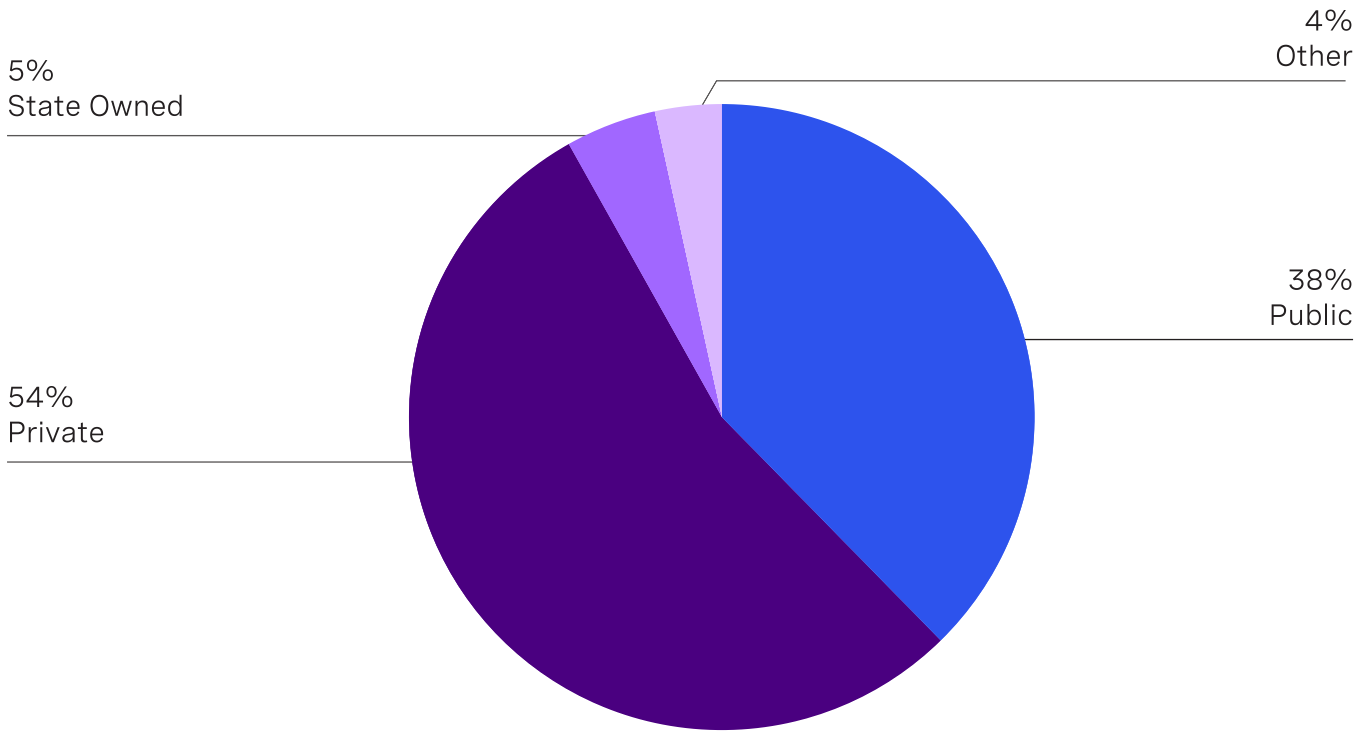
Survey demographics



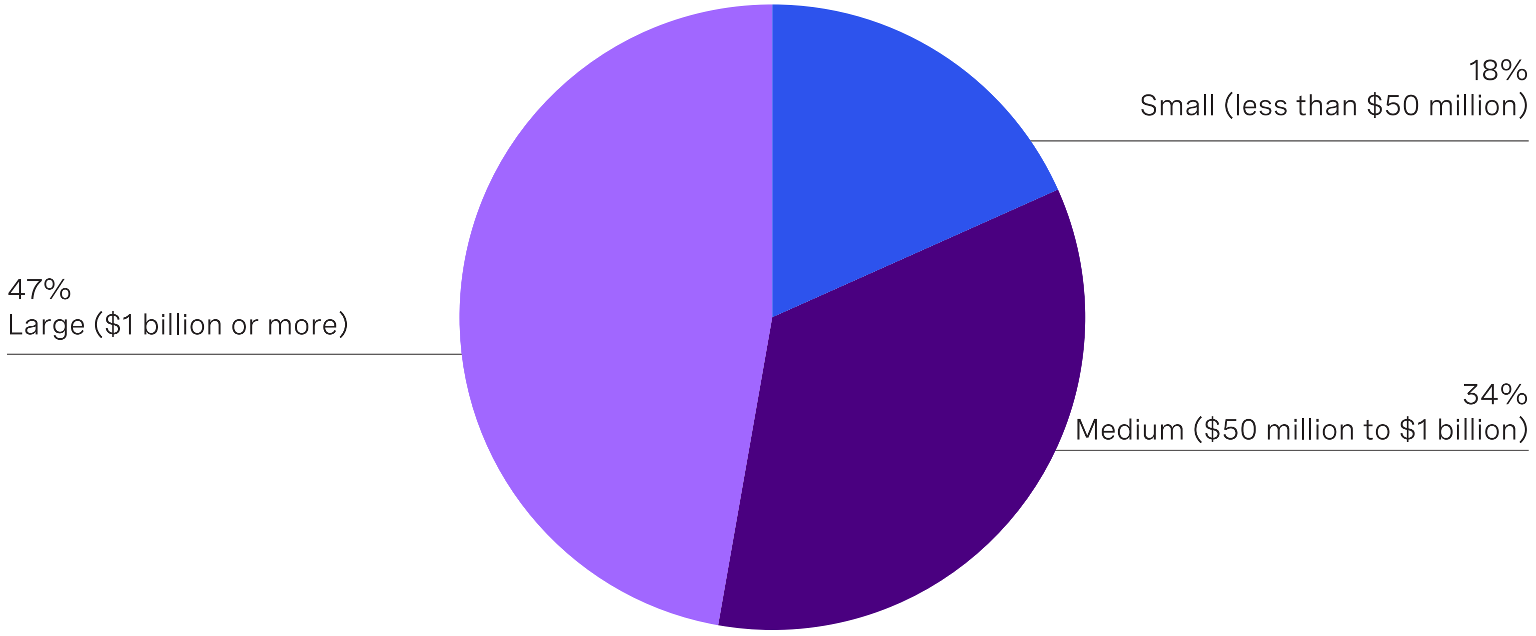




Organization Type



Organization Revenue



Appendix: Barriers to transformation

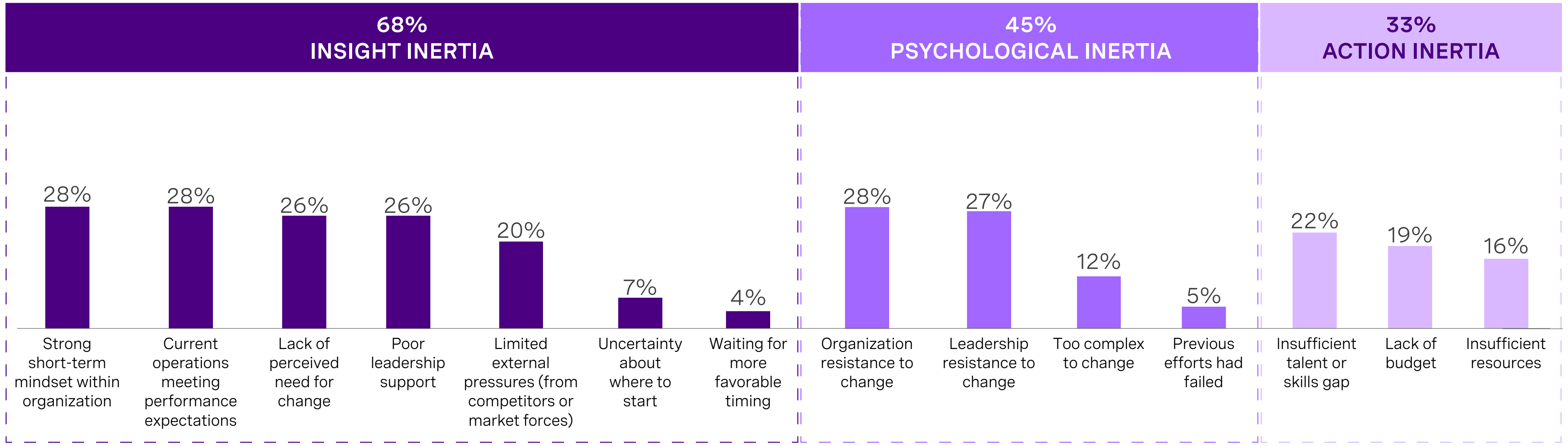
Our survey revealed distinct barriers at different transformation stages. A majority (68%) of leaders whose organizations had not transformed in the past five years cite insight inertia as the barrier to change - e.g., a short-term mindset, lack of perceived need, or belief that current performance was sufficient (Figure 4).

Organizations already undergoing transformation face different barriers (Figure 5), with 87% of leaders citing psychological inertia and 87% citing action inertia as the main barriers. Specific challenges include: resistance to change, complexity, internal conflict or lack of accountability, skill gaps, insufficient resources, and unclear roles and responsibilities.

Insight inertia persists throughout transformation—68% of leaders reported ongoing challenges related to insight inertia even after change efforts began. This underscores that making the case for change requires sustained communication and clarity.

Figure 4: Reasons why transformation has not started

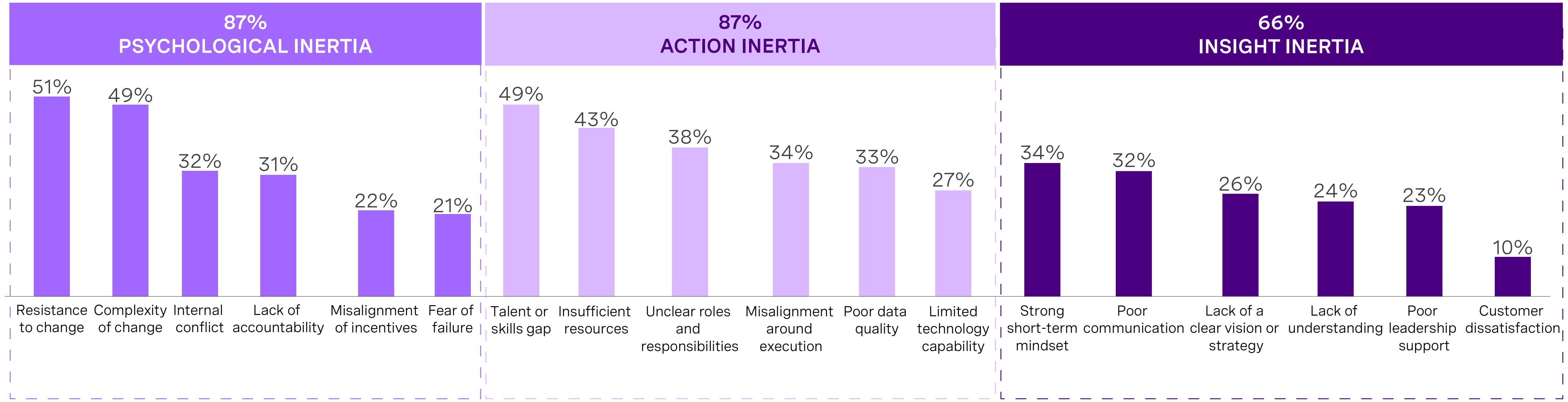
You indicated that your organization has not undergone or is not currently undergoing a transformation. What are the reasons your organizations has not considered a transformation? (Select all that apply)



Source: Russell Reynolds Associates 2025 Transformational Leadership Survey | Among CEOs, C-level leaders, and next-gen leaders, organizations not undergoing transformation (n=204)

Figure 5: Challenges encountered during transformation

What primary challenges have you encountered related your organization's approach to transformation? (Select all that apply)



Source: Russell Reynolds Associates 2025 Transformational Leadership Survey | Among CEOs, C-level leaders, and next-gen leaders (n=1303)